

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

LAHARPE TELEPHONE COMPANY, INC.

Petition For Suspension Or Modification of  
Section 251(b)(2) requirements of the Federal  
Telecommunications Act pursuant to Section  
251(f)(2) of said Act; for entry of Interim  
Order; and for other necessary relief.

Docket No. 04-0184

OFFICIAL FILE  
ILL. C. C. DOCKET NO. 04-0184  
Exhibit No. 1  
Witness  
Date 4/9/04 Reporter OAL

DIRECT TESTIMONY  
OF  
JASON P. HENDRICKS  
FOR  
LAHARPE TELEPHONE COMPANY, INC.

April 20, 2004

47 Q. Please state your name and business address.

48 A. My name is Jason P. Hendricks, and my business address is 2270 LaMontana  
49 Way, Colorado Springs, CO 80919.

50

51 Q. By whom are you employed and in what capacity?

52 A. I am employed by GVNW Consulting, Inc. ("GVNW") as a Senior Consultant.  
53 GVNW provides consulting services on a variety of issues to independent  
54 telecommunications companies and their affiliates.

55

56 Q. Please describe your educational background and business experience.

57 A. I graduated from Penn State with a Bachelor of Science degree in Economics  
58 from the University of Wyoming with a Master of Science degree in Economics  
59 (and a specialization in Regulatory Economics), and from the University of  
60 Illinois, Springfield with a Master of Arts degree in Political Studies.

61

62 As an employee of GVNW, I have assisted rural LECs in various capacities on  
63 issues such as access charges, universal service, LNP and tariff filings. I have  
64 also assisted rural LECs in cost studies, business development and regulatory  
65 advocacy. I have represented GVNW's rural LEC clients in many ICC  
66 workshops, meetings and proceedings.

67

68 Prior to my employment at GVNW, I was employed by the ICC as an Economic  
69 Analyst in the Telecommunications Division. As part of my duties at the ICC, I

70 provided testimony in numerous proceedings implementing the  
71 Telecommunications Act of 1996 ("TA 96"). In addition, I reviewed tariff filings  
72 for compliance with state and federal law and led industry workshops to examine  
73 every Illinois Administrative Code Part for consistency with the goals of TA 96. I  
74 also was involved in the initial LNP workshops held in Illinois in 1997, upon  
75 which many LNP standards were subsequently based.

76  
77 Q. On whose behalf are you providing testimony in this proceeding?

78 A. I am providing testimony on behalf of and in support of the Petition filed by  
79 LaHarpe Telephone Company, Inc. ("LaHarpe"). Our firm has provided  
80 consulting services to LaHarpe in connection with the subject matter of this  
81 proceeding and I performed the incremental cost analysis regarding the costs to  
82 LaHarpe of providing wireline-to-wireless local number portability based upon  
83 information I have received from the company and others, which I will  
84 subsequently be introducing and discussing in my testimony.

85  
86 Q. For the record and to provide background, did an Order of the Federal  
87 Communications Commission entered in November, 2003 lead to the filing of the  
88 Petition in this docket requesting a suspension or modification of the Section  
89 251(b)(2) requirements related to the provision of wireline-to-wireless number  
90 portability pursuant to Section 251(f)(2) of the Federal Telecommunications Act?

91 A. Yes, that is correct. The FCC on November 10, 2003 in response to a CTIA  
92 Petition For Declaratory Rulings On Wireline-Wireless Porting Issues released a

93 Memorandum Opinion and Order and Further Notice of Proposed Rulemaking in  
94 CC Docket No. 95-116. As it pertains to the Top 100 MSAs in the country, the  
95 November 10, 2003 FCC Order concluded, in part, as follows at paragraph 22:  
96 “We conclude that, as of November 24, 2003, LECs must port numbers to  
97 wireless carriers where the requesting wireless carrier’s “coverage area” overlaps  
98 the geographic location of the rate center in which the customer’s wireline  
99 number is provisioned, provided that the porting-in carrier maintains the numbers  
100 original rate center designation following the port.”

101

102 For companies whose service territories are not located within a Top 100 MSA,  
103 the date for a provision of wireline-to-wireless local number portability was  
104 established as the later of six months after receipt of a bona fide request or May  
105 24, 2004. The FCC, in a subsequent Order, extended the November 24, 2003 date  
106 to the later of six months after receipt of a bona fide request or May 24, 2004 for  
107 rural telephone companies in the Top 100 MSAs, as well.

108

109 Q. Is LaHarpe’s service territory located within a Top 100 MSA?

110 A. No, it is not.

111

112 Q. For the record, please provide a description of LaHarpe and its operations.

113 A. LaHarpe is a small telephone company and a facilities-based local exchange  
114 carrier providing local exchange telecommunications services as defined in  
115 Section 13-204 of The Illinois Public Utilities Act (“Act”) subject to the

116 jurisdiction of this Commission. LaHarpe provides service in its LaHarpe and  
117 Fountain Green exchanges. As of December 31, 2003, LaHarpe provided service  
118 to approximately 1,058 access lines. LaHarpe's service area consists of  
119 approximately 120 square miles and is sparsely populated with LaHarpe having  
120 just under nine customer locations per square mile.

121

122 Q. Is LaHarpe a "rural telephone company" within the meaning of Section 153(47)  
123 of the Federal Act and Section 51.5 of the Rules of the Federal Communications  
124 Commission?

125 A. While I am not an attorney, it is my understanding that LaHarpe is a "rural  
126 telephone company" within the meaning of the Federal Act and the FCC's Rules.  
127

128 Q. As a rural telephone company, does LaHarpe possess a "rural exemption" of the  
129 251(c) obligations pursuant to Section 251(f)(1)(A) of the Federal Act?

130 A. While once again I am not an attorney, it is my understanding that LaHarpe  
131 possesses a "rural exemption" pursuant to the terms of the Federal Act.

132

133 Q. Has LaHarpe received a Section 251(c) *bona fide* request for interconnection,  
134 services or network elements from any telecommunications carrier?

135 A. No, it has not.

136

137 Q. Has any telecommunications carrier requested this Commission to terminate  
138 LaHarpe's rural exemption pursuant to the provisions of Section 251(f)(1)(B) of  
139 the Federal Act?

140 A. No, they have not.

141

142 Q. Has any wireline telecommunications carrier requested LaHarpe to provide  
143 number portability?

144 A. No, they have not.

145

146 Q. Has LaHarpe received correspondence or inquiries from wireless carriers, which  
147 taken into consideration the content of the November 10, 2003 FCC Order, could  
148 be interpreted to be requests for wireline-to-wireless local number portability?

149 A. Yes, LaHarpe has received those kinds of documents from Verizon Wireless and  
150 US Cellular. Again while I am not an attorney, I want to note for the record that  
151 the FCC's November 10, 2003 Order did not amend its pre-existing rules related  
152 to number portability.

153

154 Q. Are you attaching to your testimony the correspondence and other documents that  
155 LaHarpe received from wireless carriers?

156 A. Yes, I am. The correspondence and other documents that LaHarpe received from  
157 Verizon Wireless and US Cellular are appended to my testimony as LaHarpe  
158 Attachment 2. (Response to Staff Data Request 1.12)

159

160 The above-referenced Staff Data Request asks that LaHarpe detail "all facts"  
161 that suggest correspondence and other documents contained in Attachment 2  
162 "could constitute" requests for wireline-to-wireless local number portability. The  
163 facts are the correspondence and attached documents that constitute LaHarpe  
164 Attachment 2, which on their face appear to be "requests for wireline-to-wireless  
165 local number portability. (Further Response to Staff Data Request 1.12)

166

167 Q. Has LaHarpe filed with the FCC a formal challenge against the correspondence  
168 and other documents contained in Attachment 2 as insufficient to constitute bona  
169 fide requests for wireline-to-wireless local number portability?

170 A. No. (Response to Staff Data Request 1.13)

171

172 Q. Why has LaHarpe not filed such a challenge or challenges?

173 A. Assuming that "challenge" means that LaHarpe would make some filing with  
174 the FCC seeking a ruling that the correspondence and other documents contained  
175 within Attachment 2 do not constitute a *bona fide* request for wireline-to-wireless  
176 local number portability, LaHarpe has been advised by counsel that such a filing  
177 would not be proper or prudent at this time. (Further Response to Staff Data  
178 Request 1.13)

179

180 Q. Does Verizon Wireless and/or US Cellular have a point of interconnection in  
181 LaHarpe's serving territory or numbering resources from LaHarpe at the time this  
182 testimony is being filed?

183 A. No, they do not.

184

185 Q. Does any wireless carrier have a point of interconnection within LaHarpe's  
186 serving territory or numbering resources from LaHarpe at the time this  
187 testimony is being filed?

188 A. No.

189

190 Q. As a practical matter, what is the consequence of a wireless carrier not having a  
191 point of interconnection or numbering resources within the serving territory or  
192 exchange from which a number is ported?

193 A. It is my understanding that as a practical matter it means that a call to such a  
194 ported number from another LaHarpe customer would have to be routed to a  
195 location or a point of interconnection outside of LaHarpe serving territory where  
196 the wireless carrier does have a point of interconnection. The routing of a call to  
197 a location outside of LaHarpe's local calling area would normally lead to such a  
198 call being rated as an interexchange call or toll call.

199

200 Q. Is LaHarpe requesting that this Commission make a determination in this docket  
201 as to whether the correspondence and documents received from Verizon Wireless,  
202 or any similar documents that may subsequently be received from other wireless  
203 carriers, constitute a bona fide or specific request for wireline-to-wireless number  
204 portability in accordance with the FCC's rules?



205 A. No, we are not. LaHarpe is requesting that in the final Order entered in this  
206 docket that the Commission grant LaHarpe a suspension or modification of the  
207 wireline-to-wireless local number portability requirements of Section 251(b)(2)  
208 pursuant to Section 251(f)(2) of the Federal Act to November 24, 2006. In our  
209 opinion, the focus of the proceeding should be on that request for relief.

210

211 Q. Are you familiar with the wireline-to-wireless local number portability suspension  
212 dockets initiated earlier by the five Illinois small companies who have a presence  
213 in the St. Louis MSA, which is a Top 100 MSA?

214 A. Yes, I am, as is the management personnel at LaHarpe.

215

216 Q. For the record, would you please indicate the five companies and dockets that  
217 were involved in those earlier wireline-to-wireless local number portability  
218 suspension requests.

219 A. The Petition of Madison Telephone Company was heard in Docket No. 03-0730.  
220 The Petition of Egyptian Telephone Cooperative Association was heard in Docket  
221 No. 03-0726. The Petition of Harrisonville Telephone Company was heard in  
222 Docket No. 03-0731. The Petition of Alhambra-Grantfork Telephone Company  
223 was heard in Docket No. 03-0732, and the Petition of Home Telephone Company  
224 was heard in Docket No. 03-0733.

225

226 In addition to having discussions with representatives and counsel for some of  
227 those companies, I reviewed the Direct and Rebuttal Testimony, including the

228 cost analysis submitted into the record, on behalf of Madison Telephone  
229 Company in Docket No. 03-0730. I also reviewed the testimony submitted by the  
230 Staff in that docket, and in particular, the testimony of Staff witnesses Jeffrey  
231 Hoagg concerning policy issues and the Staff's ultimate recommendations in that  
232 docket and the testimony of Robert Koch commenting on and responding to the  
233 incremental cost analysis submitted by Madison in that docket.

234

235 Finally, I reviewed the transcript from the hearing held on February 23, 2004 in  
236 the Madison docket, including the supplemental oral testimony submitted by  
237 Michael Guffy on behalf of Madison and by Jeffrey Hoagg on behalf of the Staff  
238 concerning Madison's and the Staff's final recommendations to the Commission  
239 with regard to the requested suspension. I also reviewed the questions posed by  
240 the Administrative Law Judge to Mr. Guffy and to Mr. Hoagg and their respective  
241 responses. It is my understanding that the record in the other four dockets are  
242 quite similar and the ultimate recommendations of the respective companies and  
243 the Staff with regard to the duration of a suspension is the same in each of those  
244 other dockets.

245

246 Q. Have you also had discussions with representatives of other small companies who  
247 have more recently filed Petitions with the Commission requesting similar relief  
248 to what is being sought by LaHarpe with regard to wireline-to-wireless number  
249 portability?

250 A. Yes, I have. In light of LaHarpe's and all of the other small companies' lack of  
251 experience in providing local number portability and our limited resources, we  
252 have relied not only on the efforts of the five companies who had initially filed,  
253 but the experience of other companies and their consultants and advisors in  
254 pooling information and making certain that we are all correctly identifying the  
255 activities and costs involved in the provision of wireline-to-wireless local number  
256 portability. To the extent we have made estimates or assumptions concerning  
257 certain of the costs, we have, in part, used the information available from the  
258 other dockets, taking into account the Staff's response as well as LaHarpe's  
259 specific information in developing the appropriate estimates or assumptions. We  
260 have also relied upon information provided to us and other carriers who have  
261 previously or are now seeking suspensions and from vendors and Associations  
262 with expertise in the area and from the National Exchange Carriers Association  
263 (NECA).

264  
265 Q. With regard to LaHarpe's request for a suspension or modification of any  
266 obligation it may have to provide wireline-to-wireless number portability, please  
267 describe LaHarpe's basic position.

268 A. It is LaHarpe's position that a small company, such as LaHarpe, should not be  
269 required to provide wireline-to-wireless local number portability within its  
270 serving area until such time as operational and administrative problems associated  
271 with its provision have been worked out on a more global basis by the larger  
272 incumbent local exchange carriers, such as SBC, and the large wireless carriers

requesting number portability. Companies such as SBC have been providing some type of local number portability for a number of years. Those companies have already made the incremental investments to provide local number portability and have trained employees and have had ongoing business experience in the provision of at least some type of local number portability. LaHarpe has not had the obligation to provide any type of number portability, and therefore, has not incurred the incremental costs nor does it have the background and experience in the provision of any type of local number portability. In LaHarpe's view, from a policy and industry perspective, this would appear to be similar to the situation when customers were initially allowed to presubscribe to interexchange carriers. Presubscription was initially implemented by the large carriers, such as the RBOCs; and the operational, administrative and other difficulties associated with presubscription were worked out over a period of time between those large incumbent local exchange carriers and the large interexchange carriers, such as AT&T, MCI and Sprint. In connection with determinations related to the Primary Toll Carrier Plan in Illinois, this Commission provided a different and subsequent timetable of presubscription for small companies, such as LaHarpe, after experience had been gained from the larger companies.

Second, it is LaHarpe's position that it should in no event be required to provide wireline-to-wireless local number portability until such time as regulatory decisions have been made and mechanisms put in place that will allow LaHarpe

296 to recover all of its costs, not just some of its costs, associated with the provision  
297 of wireline-to-wireless local number portability. The FCC's Orders to date,  
298 including the November, 2003 Order, fail to address how the cost of transporting  
299 calls to wireless points of interconnection outside of the incumbent local  
300 exchange carriers' serving area and associated transiting or tandem switching  
301 costs, will be recovered. While it is LaHarpe's belief that those costs should not  
302 be borne by LaHarpe or its customers, no regulatory decision by the FCC or this  
303 Commission has been made as to how those costs will be recovered and  
304 mechanisms put in place to allow for such recovery.

305  
306 Third, the evidence I will be submitting will demonstrate that the additional or  
307 marginal costs to LaHarpe of providing wireline-to-wireless number portability  
308 are significant for a company of LaHarpe's size and would be unduly  
309 economically burdensome upon the company and its end user customers. The  
310 evidence will show that although LaHarpe does not believe all of the incremental  
311 costs of providing wireline-to-wireless local number portability should be borne  
312 by its customers, that lacking regulatory determinations that the costs may be  
313 recovered in some other manner, recovery of those costs from LaHarpe's end user  
314 customers would have a significant adverse economic impact upon them. The  
315 granting of a suspension or modification is not only consistent with the statutory  
316 criteria of Section 251(f)(2)(A) but would also be consistent with the public  
317 interest, convenience and necessity.

318

319 Finally and related to the above, it is LaHarpe's position that a small company,  
320 such as LaHarpe, should not be required to provide wireline-to-wireless local  
321 number portability until there is a demonstrated desire or demand for that service  
322 from our customers. Staff witness Hoagg, in the dockets regarding Madison's  
323 request and the requests of the other four companies, submitted testimony that  
324 indicated there were extremely low "take rates" by both Verizon subscribers  
325 (.02% in January, 2004) and by SBC customers throughout its Midwest Region of  
326 .017%. LaHarpe sees no evidence that there is any significant demand for  
327 wireline-to-wireless number portability within its serving area. Up until this time,  
328 LaHarpe has not received any requests from customers that want to port their  
329 wireline number to their wireless service. LaHarpe would be willing to provide  
330 the service at such time as there is a demonstrated demand from our customers for  
331 the service together with a willingness by all of LaHarpe's customers to pay for  
332 the service. However, it is LaHarpe's position that LaHarpe should not be  
333 required to provide the service until such a demand is demonstrated, since the  
334 adverse economic impact on LaHarpe's customers to recover from them the  
335 incremental costs associated with the provision of the service would be even more  
336 contrary to the public interest if there was little or no demand for the service.

337

338 Q. Identify and describe in detail LaHarpe's efforts to determine its customers'  
339 demand for wireline-to-wireless local number portability.

340 A. LaHarpe has determined from its service representatives that they have received  
341 no inquiries from customers asking about wireline-to-wireless number portability.

342 LaHarpe is a very small company and has not undertaken any official inquiry or  
343 survey from its customers at this time. However, as a small company, LaHarpe  
344 is very familiar with its customer base and sees no evidence that there is any  
345 reason to believe that there will be any significant demand for wireline-to-  
346 wireless number portability within its serving area. (Response to Staff Data  
347 Request 1.14)

348  
349 Q. Please provide a general description of what LaHarpe would be required to do  
350 and the types of costs that would be incurred by LaHarpe to provide wireline-to-  
351 wireless number portability in its serving area.

352 A. LaHarpe has a Nortel DMS-10 host switch located in its LaHarpe exchange with a  
353 remote in its Fountain Green exchange. The current generic software in the  
354 LaHarpe switch will accommodate number portability and the capability has been  
355 "loaded.". However, Nortel personnel would also need to make translations in the  
356 switch and perform testing and verification.

357  
358 LaHarpe would need to file an application with NPAC and sign agreements to  
359 access the NPAC Service Management System (SMS). LaHarpe would need to  
360 decide whether to enter into an agreement with a vendor to provide local number  
361 portability Service Order Administration (SOA) services. There will be costs  
362 associated with accessing the SMS and costs associated with the SOA process.  
363 Since calls to ported numbers would need to have a LNP data base dip in  
364 connection with the provision of number portability, LaHarpe would need to enter

365 into an agreement with an LNP database provider which would include the query  
366 charges. There would need to be additional coordination and testing, including  
367 testing with any wireless carrier desiring wireline-to-wireless local number  
368 portability. The various agreements that LaHarpe would need to enter into would  
369 need to be dealt with and reviewed by legal counsel prior to the implementation of  
370 local number portability.

371

372 Query costs will be incurred on a going-forward basis when a LaHarpe  
373 customer calls a number that has been ported. Administrative, order processing,  
374 customer service, regulatory and legal costs will be incurred by LaHarpe in  
375 connection with any requirement to implement and provide wireline-to-wireless  
376 local number portability. In addition, appropriate training of technical personnel  
377 would need to occur as well as appropriate training of other LaHarpe personnel.

378

379 Customer education efforts will have to be undertaken, not only in connection  
380 with any initial offering of wireline-to-wireless number portability, but on an  
381 ongoing basis, as well. There will be ongoing operational and technical costs  
382 involved in the provision of local number portability associated with potential  
383 technical trouble resolution.

384

385 In addition, there are the transport and transiting costs, which I will be discussing  
386 subsequently in my testimony. The above is a very general and broad description  
387 of the types of activities and costs that LaHarpe would incur.



388

389 Q. If LaHarpe were to be required to implement wireline-to-wireless local number  
390 portability, what is your understanding as to how a LaHarpe landline customer  
391 call to a LaHarpe number that had been ported to a wireless carrier would be  
392 delivered to the wireless carrier?

393 A. The FCC's Orders and Rules as they now stand do not require a wireless carrier to  
394 have a point of presence within LaHarpe's area nor do they require the wireless  
395 carrier to establish direct trunks to LaHarpe for the purpose of delivering calls.  
396 Since no wireless carrier has a point of interconnection or numbering resources in  
397 LaHarpe's serving area, LaHarpe believes, based upon the FCC's current  
398 requirements, that all calls from LaHarpe wireline customers to a LaHarpe  
399 customer, who had ported his/her number to a wireless carrier, would have to be  
400 transported to the tandem that LaHarpe's office subtends for delivery to the  
401 wireless carrier. The LaHarpe exchange subtends the Verizon tandem in  
402 Macomb, Illinois, and therefore, calls to numbers ported in those exchanges to  
403 wireless carriers would have to be delivered to the Verizon tandem in Macomb  
404 for delivery to the wireless carrier.

405

406 Based upon our understanding and based upon the information that small  
407 company representatives have obtained regarding Verizon, it is my belief that  
408 initially common transport facilities provided by both LaHarpe and Verizon  
409 would be used to transport calls to the Verizon tandem and that tandem switching  
410 facilities provided by Verizon would need to be used to transit the call to a

411 particular wireless carrier. In the cost analysis I will be presenting, I have  
412 estimated the transport and transiting costs based upon the rate elements and rates  
413 that we understand Verizon would charge and LaHarpe's access rates for  
414 transport for the calls that would need to be delivered to the Macomb tandem.

415

416 Q. So the record is clear, is it your understanding that neither the FCC, nor this  
417 Commission, has to-date determined the responsibility for the payment of those  
418 types of costs and any associated intercarrier compensation for the transport of  
419 calls nor has a determination been made as to how those costs should be  
420 recovered?

421 A. That is correct. It is my understanding that neither the FCC, nor this Commission,  
422 has to-date determined the responsibility for those costs or how they are to be  
423 recovered.

424

425 Q. Does LaHarpe believe that the company, and ultimately its end user customers,  
426 should be responsible for those transport, transiting and related costs?

427 A. No. We believe those costs should not be the responsibility of LaHarpe and/or its  
428 end user customers. However, at this point in time and for the purpose of  
429 projecting the estimated costs involved in the provision of wireline-to-wireless  
430 local number portability, we have had no choice but to assume the worst case  
431 scenario in which LaHarpe would be responsible for the costs of delivering those  
432 calls to the wireless carrier and ultimately recovering those costs from our end  
433 user customers. As I stated earlier in my testimony, it is LaHarpe's more basic

434 position that we should not be required to provide wireline-to-wireless number  
435 portability until such time as determinations have been made as to how the  
436 transport and transiting costs are to be recovered and mechanisms are in place that  
437 will allow LaHarpe to recover these costs.

438  
439 Q. Has LaHarpe attempted to estimate the costs that would be involved for LaHarpe  
440 to provide wireline-to-wireless local number portability, and in turn, the potential  
441 amount that would have to be recovered from each of LaHarpe's customers per  
442 month to recover those costs?

443 A. Yes, we have. While certain of the costs are based upon information we have  
444 received from vendors, we have had to estimate a number of the incremental costs  
445 and make certain assumptions regarding the quantity of numbers that would be  
446 ported and the traffic to those numbers from other LaHarpe customers. As a  
447 result, the analysis I am providing is what I would characterize as LaHarpe's "best  
448 estimate" of the costs involved and the potential amount that would have to be  
449 recovered from LaHarpe's customers.

450  
451 Q. What model or methodology have you used in preparing the costs estimate?

452 A. The FCC has had rules in place for some time regarding local number portability  
453 cost recovery for landline-to-landline number portability pursuant to which a  
454 federal end user surcharge could be tariffed and filed for that cost recovery.  
455 Those rules contain certain investment costs and certain ongoing expenses to be  
456 recovered via an end user surcharge to be in place for a five year period of time.

457 Present value calculations are involved in establishing the surcharge. We have  
458 used that type of methodology in order to estimate the costs over a five year  
459 period of time and the amount of a potential customer surcharge. We have  
460 included all of the incremental costs that LaHarpe believes would be incurred.

461

462 Q. Does the FCC's methodology address the recovery of the transport and transiting  
463 costs you previously discussed?

464 A. No, it does not. As I previously indicated, no determination has been made by the  
465 FCC, nor this Commission, concerning the recovery of those costs. However, for  
466 the reasons I previously stated, we have estimated the amount of those costs over  
467 a five year period of time and included them within the calculations, since under a  
468 worst case scenario, they would have to be recovered from LaHarpe's end users.

469

470 While we have used the FCC methodology, the purpose was not to establish the  
471 amount that could be recovered under the FCC's Rules but rather the amount,  
472 which in some fashion whether it be through surcharges or increases in basic  
473 rates, would have to be recovered from LaHarpe's end user customers.

474

475 Q. Has LaHarpe used a particular model in making its costs estimates?

476 A. Yes, we have. Our model is based on cost support filed and approved by the  
477 National Exchange Carriers Association (NECA) in a local number portability  
478 filing, which they made with the FCC in NECA's Transmittal #956. The NECA

479 model has been used by individual companies to file their federal surcharges, and  
480 as a result, we felt it was appropriate for use.

481

482 I would like to note that this is the same model that was used by Madison and the  
483 other four companies in the prior LNP suspension filings and reviewed by the  
484 Commission Staff.

485

486 Q. So that the record is clear, is LaHarpe requesting this Commission to approve the  
487 cost estimates it is submitting as its incremental costs of providing wireline-to-  
488 wireless local number portability?

489 A. No, we are not. The estimates are being submitted to provide the Commission the  
490 best estimates we have of the incremental costs LaHarpe would incur and the  
491 estimated amounts LaHarpe would have to recover from its customers if LaHarpe  
492 were required to provide wireline-to-wireless local number portability at this time.  
493 The information is also submitted in light of the statutory criteria contained in  
494 Section 251(f)(2) of the Federal Act pursuant to which LaHarpe is seeking a  
495 further suspension or modification of the wireline-to-wireless local number  
496 portability requirements.

497

498 Q. For a similar reason, would you indicate for the record whether LaHarpe is  
499 requesting that the Commission approve any type of end user surcharge, or  
500 increased customer rate, connected with the provision of wireline-to-wireless

501 local number portability or find that any such amount is appropriate to be  
502 recovered under the federal surcharge.

503 A. No, we are not. The information is being presented for the reasons I previously  
504 indicated, and most specifically, not to ask that the Commission approve some  
505 type of end user rate increase and/or surcharge or find that a surcharge amount is  
506 appropriate if tariffed at the federal level.

507

508 Q. For the record, please identify Attachment 1 to LaHarpe Exhibit 1.

509 A. Attachment 1 is LaHarpe's exhibit estimating the total costs to LaHarpe of  
510 providing wireline-to-wireless local number portability. Attachment 1 is five  
511 (5)pages in length. The first page of the Attachment entitled "LaHarpe Telephone  
512 Company Local Number Portability Data Summary" sets forth the total costs that  
513 LaHarpe has projected as I previously described. As can be seen from looking at  
514 that page of the exhibit, there are initial local number portability start-up costs,  
515 both in the Investments and Expenses categories and then certain ongoing  
516 expenses over the five year period of time. After applying present value factors,  
517 the cost is \$103,075.

518

519 As shown at the bottom right-hand corner of that page of the Attachment,  
520 LaHarpe would have to recover \$2.31 per month from each access line either by  
521 means of a surcharge or a rate increase to recover the costs as described. It is  
522 LaHarpe's position that the Commission should find that a further suspension or  
523 modification of any obligation LaHarpe may have to provide wireline-to-wireless

524 local number portability is necessary to avoid a significant adverse economic  
525 impact on LaHarpe's customers or to avoid imposing a requirement that is unduly  
526 economically burdensome on LaHarpe and that the granting of such further  
527 suspension is consistent with the public interest, convenience and necessity.

528

529 The remaining pages of Attachment 1 contain schedules and information of a  
530 back-up or workpaper nature while those materials might not normally be  
531 submitted into the record or provided initially. In light of the time constraints of  
532 the proceeding, we have included those materials so they would be available to  
533 the Staff and the Administrative Law Judge at the earliest possible time.

534

535 Q. I am now going to ask you questions concerning each of the line items on page 1  
536 of Attachment 1. What is the basis for the \$3,000 cost for switch translations?

537 A. Nortel has indicated that the cost of translations for LaHarpe's host switch would  
538 be \$3,000. That quoted number has been used. At this point in time, LaHarpe  
539 intends to rely upon Nortel personnel to perform those translations and the  
540 associated testing and verification functions. If LaHarpe subsequently determines  
541 that additional personnel are needed to be involved in the testing and verification  
542 process, we would have underestimated LaHarpe's costs.

543

544 Q. Are the query and transport and transit expenses you have estimated and which  
545 are included on the first page of Attachment 1 related to or driven by demand?

546 A. Yes, they are. As a result, we have had to make an assumption or estimate of the  
547 number of customers who would potentially port to a wireless carrier and the  
548 volume and duration of the calls from other LaHarpe customers to those ported  
549 numbers. As I indicated previously in my testimony, it is LaHarpe's belief that  
550 there would be little, if any, demand for wireline-to-wireless number portability  
551 by our customers. We have discussed the potential demand with other companies  
552 and advisors and have reviewed the demand estimates made by Madison and the  
553 other small companies in the dockets that were previously heard. We have  
554 decided that the estimates used by Madison and the other small companies in the  
555 other dockets (which have already been reviewed by the Staff) are reasonable, and  
556 we are using the same estimates.

557

558 The estimate contained in the exhibit and which we are making for this  
559 proceeding is that 6% of LaHarpe's access lines would port to a wireless carrier  
560 in the first year we implement wireline-to-wireless number portability and that  
561 1% more would port in each of the second, third, fourth and fifth years so that by  
562 the end of the fifth year, 10% would have ported.

563

564 We then examined LaHarpe's internal data concerning originating and  
565 terminating minutes of use for local calls made by LaHarpe's customers and the  
566 average call duration for local calls. Using this data and with the assumption that  
567 all of the customers who ported to a wireless carrier were typical with regard to  
568 the volume and duration of calls they would receive and would be the same as our



569 average customer, we projected the number of calls and minutes of use that would  
570 need to be queried, transported and transited to wireless carriers over the five year  
571 time horizon. This information was then used in estimating both the query  
572 expenses and the transport and transiting expenses.

573

574 Q. Taking into account your previous response, how was the amount of the query  
575 expense over the five years determined?

576 A. Based upon discussions we have had, it is our current understanding that LaHarpe  
577 would put triggers into its switch that would result in only calls to ported numbers  
578 being required to be queried. The rate per query dip has been obtained from a  
579 vendor and the projected demand was developed as described above. Based upon  
580 our present understanding, the query expense is relatively minimal.

581

582 Q. Please describe the estimates included for transport and transit.

583 A. Differing from the query expense, the transport and transit costs are more  
584 significant. As I indicated earlier, we have used the rates and rate elements that  
585 we understand Verizon would charge and LaHarpe's access rates for the transport  
586 and transiting of calls to Verizon's Macomb tandem for delivery to wireless  
587 carriers. Like the query costs, the transport and transit costs grow from year to  
588 year based upon the estimates of how many customers will have ported their  
589 numbers to wireless carriers in each of the first five years. The query and  
590 transport and transiting costs, as well as many of the other expenses, would

591 continue on and could potentially grow beyond the five year time horizon  
592 included within the exhibit.

593

594 Q. If a higher number of customers port to wireless carriers than you have projected  
595 in your estimates, what would be in the impact on the estimates you are  
596 presenting?

597 A. If a higher number of customers port resulted in higher call volumes, we will have  
598 underestimated both transport and transit costs, as well as the query costs.  
599 LaHarpe would also have fewer access lines over which to recover any costs,  
600 and the costs per subscriber per month would be higher than that reflected on  
601 Attachment 1.

602

603 Q. If on the other hand LaHarpe's belief is correct that there is little or no demand  
604 for wireline-to-wireless number portability, what would be the impact?

605 A. If that is correct, we would have overestimated variable costs, such as transport  
606 and transit and query charges. However, the initial start-up investments and  
607 expenses would remain as well as certain ongoing expenses. In LaHarpe's view,  
608 until there is a proven demand, those expenses and investments should not be  
609 incurred and they would, in fact, in some ways be even more unfair and  
610 burdensome on LaHarpe's customers to make them pay for the costs for a service  
611 (although the costs would be lower), which they do not desire.

612

613 Q. Please comment on the expense line labeled "regulatory/legal/admin/order  
614 processing".

615 A. Based upon our discussions with counsel and other small companies, we would  
616 estimate an initial or start-up legal and regulatory costs in the amount of \$20,000.  
617 The estimate includes estimated fees from consultants and attorneys to negotiate  
618 service level agreements with wireless carriers, develop and file LNP tariffs, file  
619 company information with NeuStar and in the BIRRDs/LENG databases,  
620 evaluate query and SOA providers, implement regulatory-compliant 911 methods,  
621 and understand all regulatory requirements associated with intermodal LNP. The  
622 100 estimated regulatory/legal hours may be conservative considering that  
623 LaHarpe does not have employees that are devoted to regulatory matters and that  
624 they outsource most regulatory work to consultants and attorneys.

625

626 With regard to ongoing administrative expenses, the estimates are based upon  
627 information received from GVNW, who LaHarpe would use for LNP  
628 administrative services. A \$2,000 annual fee must be paid to GVNW for those  
629 services, together with a per port fee charge of \$2.00. That portion of the annual  
630 expenses for years 1-5 reflect those charges being assessed against the numbers  
631 that are ported within a particular year.

632

633 Q. Please explain the "Employee Education" expense, which you have included on  
634 the Attachment.

635 A. Nortel is providing technical training with regard to local number portability.  
636 Attached to my Testimony as Attachment 3 is a copy of Nortel materials  
637 described in the training courses they are recommending for technical personnel  
638 in regard to local number portability. The price of those courses, based upon  
639 Nortel's quote, is \$3,100 per employee. (LaHarpe's employees have already  
640 taken the prerequisite courses required for the LNP course.) LaHarpe plans to  
641 have two technical employees receive the training from Nortel in regard to local  
642 number portability.

643 We have also included training for non-technical employees at a cost of \$300 per  
644 employee. Six employees would be trained prior to any implementation of  
645 wireline-to-wireless local number portability at an estimated cost of \$1,800. We  
646 provided for ongoing training during the five year period at a cost of \$300 per  
647 year.

648

649 Q. Please discuss the line item entitled "Technical Trouble", which I understand  
650 includes technical support to implement the local number portability process and  
651 would involve ongoing operational or technical issues related to the provision of  
652 local number portability.

653 A. This is an estimate, based upon LaHarpe's experience with similar issues and  
654 services, and our discussions with other small company representatives  
655 concerning these type of costs. We have projected total technician time and  
656 estimated labor rates over the entire five year period and then spread the cost, in

657 part, between start-up costs with the remaining amounts being incurred over each  
658 of the five years.

659

660 Q. Please provide the basis for the estimated costs related to "customer education".

661 A. If LaHarpe were required to implement wireline-to-wireless number portability, it  
662 is the view of LaHarpe's management that there would need to be at least two  
663 customer education mailing pieces prior to its implementation and that LaHarpe  
664 would then need to have two ongoing mailings for customer education purposes  
665 each year. Based upon the costs of previous pre-prepared mail pieces and our  
666 discussions with other companies, LaHarpe is estimating that the costs of a  
667 mailing to each customer is 75¢ per mailing, which once again would occur twice  
668 each year. In looking at page 1 of Attachment 1, you can see that costs decline  
669 per year because of our assumption that we would have fewer access lines as time  
670 goes by as a result of certain customers porting their numbers to wireless carriers,  
671 as previously discussed.

672

673 Q. Describe in detail the type of customer education LaHarpe proposes to undertake.

674 A. Since LaHarpe is seeking a suspension of any obligation it may have to provide  
675 wireline-to-wireless local number portability, specific customer information  
676 pieces have not, as yet, been developed. However, as indicated in my prior  
677 answer, the Company intends to send out customer education mailing pieces prior  
678 to any time it is to implement wireline-to-wireless local number portability and to

679 continue that education process with follow-up mailings that the Company  
680 believes to be necessary. (Response to Staff Data Request 1.19)

681

682 Q. Describe the purpose and content of the customer education that LaHarpe intends  
683 to provide.

684 A. Once again, since the Company is seeking a suspension of any obligation it may  
685 have to provide wireline-to-wireless number portability, the specific content of  
686 any customer education pieces has not been developed at this time. The Company  
687 would intend to get informational pieces perhaps developed by larger companies  
688 and provided to their customers for use in developing appropriate mailing pieces.  
689 The purpose of the customer education would be first and foremost to provide  
690 information concerning what wireline-to-wireless number portability is and to  
691 provide information to the customer concerning what steps they would need to  
692 take if they desired to port their landline number to a wireless telephone. Once  
693 again, LaHarpe, as a small company, intends to rely upon information developed  
694 by larger companies, trade associations, etc. in developing appropriate customer  
695 education pieces should they become necessary. (Further Response to Staff Data  
696 Request 1.19)

697

698

699 Q. Am I correct that present value calculations were performed as reflected on page  
700 1 of Attachment 1?

701 A. Yes, that is correct.

702

703 Q. Does that complete your discussion of Attachment 1 and LaHarpe's estimates of  
704 the incremental costs involved to it and the potential amounts that would need to  
705 be recovered from LaHarpe's customers if required to implement wireline-to-  
706 wireless number portability?

707 A. Yes, it does. I should emphasize that the cost estimates are based upon what is  
708 known today and take into account the estimates and assumptions we have made.  
709 Other companies may be able to include additional estimated costs, which I have  
710 not included within the LaHarpe exhibit, and to that extent, the estimated costs  
711 contained in Attachment 1 may well be low.

712

713 Q. In regard to the relief that LaHarpe is seeking in this proceeding, is LaHarpe  
714 asking the Commission to enter an Order in this docket permanently suspending  
715 any obligation that LaHarpe may have to provide wireline-to-wireless local  
716 number portability?

717 A. No, LaHarpe is not.

718

719 Q. Please describe the relief that LaHarpe is requesting.

720 A. LaHarpe is requesting a suspension of any obligation it may have to provide  
721 wireline-to-wireless local number portability for a period of 2½ years or 30  
722 months from May 24, 2004 to November 24, 2006. That is the length of  
723 suspension that both individual small companies and the Staff have recommended  
724 in the five proceedings that were previously heard and which I have referenced in

725 my testimony. After reviewing the testimony and transcripts in those proceedings  
726 and discussing the same with LaHarpe's management and its advisors, LaHarpe  
727 believes that the recommendations made by both the companies and the Staff in  
728 those proceedings are not only reasonable but are reflective of LaHarpe's  
729 situation, as well.

730

731 Q. Does that conclude your direct testimony?

732 A. Yes, it does.



**LaHarpe Telephone Company**  
**LOCAL NUMBER PORTABILITY DATA SUMMARY**

LaHarpe Exhibit 1.0

Attachment 1

	Initial LNP Start-Up Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Total LNP Cost Projections
<b>INVESTMENTS</b>							
LNP Software	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OSS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Voice Announcements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Switch Translations	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000
LNP Hardware	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LNP Transport Hardware	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENSES</b>							
Query	\$ -	\$ 52	\$ 61	\$ 69	\$ 78	\$ 86	\$ 346
Transport and Transit	\$ -	\$ 7,805	\$ 9,106	\$ 10,407	\$ 11,708	\$ 13,009	\$ 52,036
Regulatory/Legal/Admin/Order Processing	\$ 20,000	\$ 2,132	\$ 2,022	\$ 2,022	\$ 2,022	\$ 2,022	\$ 30,219
Employee Education	\$ 8,000	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 9,500
Technical Trouble	\$ 5,000	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 23,750
Customer Education	\$ 1,646	\$ 1,547	\$ 1,530	\$ 1,514	\$ 1,497	\$ 1,481	\$ 9,215
<b>Sub-Totals</b>	\$ 37,646	\$ 15,586	\$ 16,769	\$ 18,062	\$ 19,355	\$ 20,648	\$ 128,066
Present Value Factors	100.0000%	89.8876%	80.7979%	72.6273%	65.2830%	58.6813%	
<b>Present Value Total Cost Projections</b>	\$ 37,646	\$ 14,010	\$ 13,549	\$ 13,118	\$ 12,636	\$ 12,117	\$ 103,075
<b>Access Lines</b>							743
<b>Months</b>							60
<b>Annual Expense per subscriber per month</b>							\$ 2.31

1		
2	<b>LaHarpe Telephone Company</b>	
3	<u>I-CO Data</u>	
4	PBX Lines	0
5	ISDN-PRI Lines	0
6	Other Access Lines	1,097
7	Equipped Lines	1,463
8	Local MOU- Tandem 1	-
9	Local MOU- Tandem 2	5,183,665
10	Number of Employees	6
11	Number of End Offices Requiring Translations	1
12	RIC	\$ 0.014080
13	Tandem Switched Transport	\$ 0.009850
14		
15	<u>Tandem 1 Transiting Rates</u>	
16	Tandem Switching	\$ -
17	Tandem Transport	\$ -
18	Tandem Transport Facility	\$ -
19		
20	<u>Tandem 2 Transiting Rates</u>	
21	Tandem Transiting	0.0011662
22	Tandem Transport	-
23	Tandem Transport Facility	-
24		
25	<u>Assumptions</u>	
26	Average Holding Time Per Local Call	5.55
27	LNP Query Charge	\$ 0.000926
28	Present Value Factor, Year 1	0.89888
29	Present Value Factor, Year 2	0.80798
30	Present Value Factor, Year 3	0.72627
31	Present Value Factor, Year 4	0.65283
32	Present Value Factor, Year 5	0.58681
33	Wireless Penetration, Year 1	6%
34	Wireless Penetration, Year 2	7%
35	Wireless Penetration, Year 3	8%
36	Wireless Penetration, Year 4	9%
37	Wireless Penetration, Year 5	10%
38	Regulatory/Legal Fee Per Hour	\$ 200
39	Regulatory/Legal Hours, Year Zero	100
40	Customer Education, Cost Per Mailing	\$ 0.75
41	Customer Education, Number of Mailings Per Year	2
42	Employee Education, Cost Per Employee	\$ 300.00
43	Employee Education, Number Of Employees Per Year, 1-5	1
44	Cost Per Translation Per Office	\$ 3,000
45	Technical Cost Per Hour	\$ 50.00
46	Technical Hours, Year Zero	100
47	Technical Hours Per Year, 1-5	75
48	LNP Administration, Annual Fee	\$ 2,000
49	LNP Port Fee Per Ported Number	\$ 2.00
50	Software Cost Per Wired Line	\$ 4.00
51	Number of Employees Needing Technical Training	2
52	Cost Per Technical Training Per Employee	3,100

**LOCAL NUMBER PORTABILITY DATA  
FOR DEVELOPMENT OF LNP END USER AND QUERY CHARGES**

<b>COMPANY NAME</b>	LaHarpe Telephone Company
<b>STUDY AREA NUMBER</b>	0

LaHarpe Exhibit 1.0  
Attachment 1

<b>AVERAGE MONTHLY LINES</b>		<b>YEAR</b>				
	0 (Current)	1	2	3	4	5
1. PBX	0	0	0	0	0	0
2. ISDN-PRI	0	0	0	0	0	0
3. Other (Sum of Residential, Single Line Business, Multiline Business, Centrex)	1,097	1,031	1,020	1,009	998	987
3a. <b>TOTAL</b>	<b>1,097</b>	<b>1,031</b>	<b>1,020</b>	<b>1,009</b>	<b>998</b>	<b>987</b>
3b. <b>Present Value Access Line</b>	<b>1,097</b>	<b>927</b>	<b>824</b>	<b>733</b>	<b>652</b>	<b>579</b>

<b>INVESTMENTS</b>		<b>YEAR</b>				
	0 (Current)	1	2	3	4	5
4. Software Upgrades Total: (Please also itemize below, and provide descriptions in the right-most column)	\$3,000	\$0	\$0	\$0	\$0	\$0
4a. LNP Software						
4b. OSS	\$0					
4c. Voice Announcements	\$0					
4d. Switch Translations	\$3,000					
5. Hardware & Other (Please list items below)						
5a. LNP Hardware						
5b. LNP Transport Hardware						
5c.						
5d.						
<b>TOTAL</b>	<b>\$3,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>EXPENSES (Maintenance etc.)</b>		<b>YEAR</b>				
	0 (Current)	1	2	3	4	5
6. Please list items below						
6a. Regulatory/Legal/Admin/Order Processing	\$20,000	\$2,132	\$2,022	\$2,022	\$2,022	\$2,022
6b. Employee Education	\$8,000	\$300	\$300	\$300	\$300	\$300
6c. Technical Trouble	\$5,000	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
6d. Customer Education	\$ 1,646	\$ 1,547	1530	\$ 1,514	\$ 1,497	\$ 1,481
<b>TOTAL</b>	<b>\$34,646</b>	<b>\$7,728</b>	<b>\$7,602</b>	<b>\$7,586</b>	<b>\$7,569</b>	<b>\$7,553</b>